

OTTAWA LIBRARY

Ottawa, Kansas

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2014

OTTAWA LIBRARY

TABLE OF CONTENTS Year ended December 31, 2014

	<u>Statements</u>	<u>Page</u>
Independent Auditor's Report		1
Financial Statements		
Summary Statement of Receipts, Expenditures and Unencumbered Cash	1	3
Notes to Financial Statements		5
Supplementary Information	<u>Schedule</u>	
Summary of Expenditures -- Actual and Budget	1	12
General Fund - Schedule of Receipts and Expenditures -- Actual and Budget	2a	14
Capital Improvement Fund - Schedule of Receipts and Expenditures -- Actual	2b	16
Endowment Fund - Schedule of Receipts and Expenditures -- Actual	2c	17
Friends of the Library - Schedule of Receipts and Expenditures -- Actual	2f	18
Special Reports		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		20

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ottawa Library
Ottawa, Kansas

Report in the financial statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Ottawa Library, Ottawa, Kansas, as of and for the year ended December 31, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note C to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note C of the financial statement, the financial statement is prepared by the Ottawa Library to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ottawa Library as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Ottawa Library as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

Report on Regulatory Basis Supplementary Information

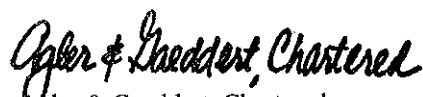
Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditure-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.

Other reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015, on our consideration of Ottawa Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ottawa Library's internal control over financial reporting and compliance.

Prior Year Comparative

The 2013 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2013 basic financial statement upon which we have rendered an unmodified opinion dated May 15, 2014. The 2013 basic financial statement and our accompanying report are not presented herein, but available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2012 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note C.



Agler & Gaeddert, Chartered
April 3, 2015

OTTAWA LIBRARY

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the year ended December 31, 2014

Fund	Beginning Unencumbered Cash Balance	Cash Receipts
Governmental Type Funds		
General fund	\$ 35,895	\$ 881,663
Special Purpose Funds		
Capital Improvement fund	14,857	15,006
Related Municipal Entity		
Endowment fund	220,718	21,170
Friends of the Library	5,060	28,338
	\$ <u>276,530</u>	\$ <u>946,177</u>

The accompanying notes are an integral part of this statement.

Statement 1

<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 890,030	\$ 27,528	\$ 24,075	\$ 51,603
11,210	18,653	0	18,653
2,436	239,452	0	239,452
<u>28,470</u>	<u>4,928</u>	<u>0</u>	<u>4,928</u>
\$ <u>932,146</u>	\$ <u>290,561</u>	\$ <u>24,075</u>	\$ <u>314,636</u>

Composition of cash and investments:

Petty cash	\$ 140
Deposits at banks	
Checking account	43,820
Money market accounts	26,296
Related Municipal Entity	
Money market accounts	4,928
Deposits at trust	
Equity investments	<u>239,452</u>
	\$ <u>314,636</u>

The accompanying notes are an integral part of this statement.

OTTAWA LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE A. MUNICIPAL REPORTING ENTITY

The Ottawa Library operates under a seven member form of government, which is appointed by the Ottawa city commission. The Ottawa Library is a separately administered organization that is dependent on the City of Ottawa for the levy of the Library tax and appointment of the respective governing board. The Library adopts the annual budget. The Library's financial statements are included in the City of Ottawa's annual financial statements. These financial statements present the Library and its component units, entities for which the Library is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Library's operations and so, data from these units are combined with data of the Library. A combined discretely presented component unit, on the other hand, is reported on a separate line in the Summary of Receipts, Expenditures and Unencumbered Cash – Regulatory Basis to emphasize it is legally separate from the Library. The discretely presented component units noted below have a December 31 year end and are included in the Library's reporting entity because they were established to benefit the Library or its constituents.

Discretely presented component unit

The Endowment Fund is a separate nonprofit corporate entity under 501 (c) 3 of the internal service code and provides support for the Library. The Friends of the Library provides support for the Library. The Endowment Fund and the Friends of the Library have been included in Statement 1 of the Library's financial statements.

NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the Library are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Library potential could have the following types of funds.

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenues sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt. The Library did not have any funds of this type for the current year.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment. The Library did not have any funds of this type for the current year.

Business Fund – funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.). The Library did not have any funds of this type for the current year.

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity scholarship funds, etc).

Agency Fund – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund, county tax collection accounts, etc.). The Library did not have any funds of this type for the current year.

OTTAWA LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America - The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

Ottawa Library has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

NOTE D. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment for Qualifying Budget Credits – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

OTTAWA LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE D. BUDGETARY INFORMATION - continued

A legal operating budget is not required for the following special revenue funds:

Capital Improvement
Friends of the Library

Endowment

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board.

NOTE E. CASH AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices. The Library's rates investments (if any) as noted.

Concentration of credit risk - State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library has no investments other than money markets and certificates of deposit.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2014.

At December 31, 2014, the carrying amount of the Library's cash was \$68,013 (which includes \$140 in cash on hand) and the bank balance was \$83,896. The bank balance was held by two banks resulting in a concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$83,896 was covered by federal depository insurance, and \$0 was collateralized with securities held by the pledging financial institution's agents in the Library's name.

At December 31, 2014, the carrying amount of the related municipal entity's bank deposits was \$4,928 and the bank balance was \$5,103. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$5,103 was covered by federal depository insurance.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The Library (other than the Endowment as described below) had no such investments at year end.

OTTAWA LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE E. CASH AND INVESTMENTS – continued

The rating of the Endowment's investments is noted below. The Endowment fund has (a 501 (c) 3 not for profit corporation) invested in money markets, equities and fixed income mutual funds. The Endowment is not subject to K.S.A. 12-1675.

Carrying value represents original cost and reinvested income. Investments are reported on the financial statements at carrying value. Fair value is market value based upon quoted market prices.

Concentration of Credit Risk: State statutes place no limit on the amount the Endowment may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library's allocation of investments as of December 31, 2014 is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Money Market Accounts	7%
Equity Mutual funds	51%
Fixed Income Mutual Funds	42%

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The investments listed below are not secured as described in state statutes:

Fixed Income	\$ 99,055
Equity Mutual funds	122,856

As of December 31, 2014, the Endowment had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Maturity</u>	<u>Rating</u>
Money Market Accounts	\$ 17,541	\$ 17,541	Annually	AAA
Equities - Mutual Funds	166,757	122,856	Annually	AAA
Fixed Income - Mutual Funds	98,181	99,055	Annually	AAA
	<u>\$ 282,479</u>	<u>\$ 239,452</u>		

NOTE F. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Friends of the Library	K.S.A. 12-118	\$ 21,315
General	Capital improvement	K.S.A. 12-118	10,000
Capital improvement	General	K.S.A. 12-118	15,000
Endowment	Friends of the Library	K.S.A. 12-118	500
Friends of the Library	General	K.S.A. 12-118	370

NOTE G. OTHER LONG-TERM OBLIGATIONS FROM OPEARTIONS

Other Post Employment Benefits: As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retiree's health insurance plan because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been qualified in this financial statement.

OTTAWA LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE G. OTHER LONG-TERM OBLIGATIONS FROM OPEARTIONS - continued

Under the Consolidated Omnibus Budget Reconciliation Act (CORBA), the Library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences: Full time employees may accrue vacation at varying intervals according to length of service up to a maximum of 160 hours. Vacation is paid upon resignation or retirement.

Sick leave accrues at the rate of 8 hours per month for full-time employees, up to a maximum of 480 hours. A percentage of accrued sick leave may be paid to employees in good standing upon resignation or retirement, according to their years of service. The Library's policy is to record vacation and sick leave expense when paid.

There is no accrual for vacation or sick leave in these financial statements. The amounts if accrued for vacation and sick leave would be \$31,714.

NOTE H. DEFINED BENEFIT PENSION PLAN

Plan description - The Ottawa Library participates in the Kansas Public Employees Retirement System (KPERS) which is a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding policy - KSA 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is Tier 1 or Tier 2 member. The Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Net pension Liability - The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has not determined the Municipality's proportionate share as of June 30, 2014. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

NOTE I. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

NOTE J. OTHER INFORMATION

Ad Valorem Tax Revenue: The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20 and distributed to the Library by January 20 to finance a portion of the current

OTTAWA LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE J. OTHER INFORMATION - continued

year's budget. The second half is due May 20 and distributed to the Library by June 5. The Library draws available funds from the County Treasurer's office at designated times throughout the year.

Reimbursed Expenses: The Library records reimbursable expenditures in the fund that makes the disbursement and records reimbursement as revenue in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

Compliance with Kansas Statutes: References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the municipality.

Management is not aware of any other statutory violations in the period covered by this audit.

Use of restricted versus unrestricted unencumbered cash and receipts: The Library uses restricted unencumbered cash and receipts first when both restricted and unrestricted unencumbered cash or receipts are available.

Subsequent Events: The Library evaluated subsequent events through May 15, 2014, the date the financial statements were available to be issued. No subsequent events were identified which require disclosure.

REGULATORY BASIS
SUPPLEMENTARY INFORMATION

OTTAWA LIBRARY

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

For the year ended December 31, 2014

<u>Fund</u>	<u>Certified Budget</u>
Governmental Type Funds	
General fund	\$ 891,566

Schedule 1

<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
\$ 0	\$ 891,566	\$ 890,030	\$ 1,536

OTTAWA LIBRARY

Schedule 2a

GENERAL FUND SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the year ended December 31, 2014

(With comparative actual totals for the prior year ended December 31, 2013)

		2014		Variance
	2013	Actual	Budget	Over (Under)
Cash Receipts				
Appropriation from City	\$ 762,266	\$ 781,851	\$ 789,573	\$ (7,722)
Interest income	407	236	500	(264)
State aid	5,077	4,513	4,500	13
NEKLS grant	26,220	27,005	27,000	5
E Rate Reimbursement	1,489	1,536	1,152	384
Fines and fees	13,594	15,038	14,000	1,038
Copier & computer income	7,975	7,581	7,000	581
Gifts	150	1,060	50	1,010
Program Income	0	226	0	226
Grants/Fundraising	8,746	10,102	3,000	7,102
Kansas Humanities Council	1,900	1,200	950	250
Transfers in	1,543	31,315	8,400	22,915
Total cash receipts	829,367	881,663	\$ 856,125	\$ 25,538
Expenditures				
Salaries and Benefits				
Staff salaries	465,561	498,602	\$ 498,362	\$ 240
Social security	33,740	35,118	38,125	(3,007)
KPERS	30,024	37,547	34,814	2,733
Employee insurance	42,985	47,381	58,385	(11,004)
Unemployment	439	457	498	(41)
Workers' compensation	3,139	4,165	3,000	1,165
	1,747	1,546	1,546	0
	577,635	624,816	634,730	(9,914)
Materials and Programs				
Juvenile books	20,336	22,429	22,000	429
Adult books	49,679	47,721	49,960	(2,239)
Periodicals	6,138	6,348	6,500	(152)
Audio visual materials	19,031	21,016	20,000	1,016
Audio visual materials - children	4,243	5,557	4,000	1,557
Programs	2,403	2,907	3,000	(93)
Purchases from gift & grant receipts	8,635	4,664	950	3,714
Electronic access	1,212	1,119	1,000	119
	111,677	111,761	107,410	4,351

See Independent Auditor's Report.

OTTAWA LIBRARY

Schedule 2a

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

For the year ended December 31, 2014

(With comparative actual totals for the prior year ended December 31, 2013)

	2013	2014		Variance Over (Under)
		Actual	Budget	
Expenditures (continued)				
Operating				
Building insurance	\$ 4,500	\$ 4,170	\$ 4,300	\$ (130)
Audit	3,181	3,277	3,200	77
Gas	4,581	4,660	4,760	(100)
Water and electric	23,080	22,645	23,240	(595)
Telephone	3,477	2,988	4,000	(1,012)
Postage	2,180	1,576	2,500	(924)
Public relations	1,570	1,743	1,500	243
Building maintenance	22,342	20,700	26,000	(5,300)
Office supplies	12,472	15,653	12,395	3,258
Copier and computer expense	6,030	4,733	6,105	(1,372)
Professional meetings, memberships, mile	10,796	3,561	3,500	61
Equipment rental and repair	4,514	4,788	4,500	288
Miscellaneous	115	404	400	4
Automation support	6,064	6,127	6,300	(173)
Computer software upgrades	1,576	1,675	1,300	375
Equipment purchases	6,715	37,736	6,500	31,236
Collection Agency	456	1,647	500	1,147
Reserve	0	0	35,426	(35,426)
Transfers out	9,000	15,370	3,000	12,370
	<u>122,649</u>	<u>153,453</u>	<u>149,426</u>	<u>4,027</u>
 Total expenditures	 <u>811,961</u>	 <u>890,030</u>	 <u>\$ 891,566</u>	 <u>\$ (1,536)</u>
 Receipts over (under) expenditures	 17,406	 (8,367)		
 Unencumbered cash, beginning of year	 <u>18,489</u>	 <u>35,895</u>		
 Unencumbered cash, end of year	 <u>\$ 35,895</u>	 <u>\$ 27,528</u>		

See Independent Auditor's Report.

OTTAWA LIBRARY

Schedule 2b

SPECIAL PURPOSE FUNDS CAPITAL IMPROVEMENT FUND SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL REGULATORY BASIS

For the year ended December 31, 2014
(With comparative actual totals for the prior year ended December 31, 2013)

	2013	2014
Cash receipts		
Interest	\$ 4	\$ 6
Transfers in	9,000	15,000
Total cash receipts	9,004	15,006
Expenditures		
Furniture and equipment	0	1,210
Transfers out	0	10,000
Total expenditures	0	11,210
Receipts over (under) expenditures	9,004	3,796
Unencumbered cash, beginning of year	5,853	14,857
Unencumbered cash, end of year	\$ 14,857	\$ 18,653

See Independent Auditor's Report.

OTTAWA LIBRARY

Schedule 2c

RELATED MUNICIPAL ENTITY
ENDOWMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the year ended December 31, 2014

(With comparative actual totals for the prior year ended December 31, 2013)

	2013 <u>Actual</u>	2014 <u>Actual</u>
Cash receipts		
Contributions	\$ 5,700	\$ 5,000
Interest	788	788
Dividends	5,135	5,467
Sale of investments	33,099	72,412
Cost of investments sold	(30,231)	(62,997)
Transfers in	<u>754</u>	<u>500</u>
 Total cash receipts	 <u>15,245</u>	 <u>21,170</u>
 Expenditures		
Trustee and other fees	2,179	2,436
Transfers out	<u>754</u>	<u>0</u>
 Total expenditures	 <u>2,933</u>	 <u>2,436</u>
 Receipts over (under) expenditures	 12,312	 18,734
 Unencumbered cash, beginning of year	 <u>208,406</u>	 <u>220,718</u>
 Unencumbered cash, end of year	 <u>\$ 220,718</u>	 <u>\$ 239,452</u>

See Independent Auditor's Report.

OTTAWA LIBRARYSchedule 2d**RELATED MUNICIPAL ENTITY****FRIENDS OF THE LIBRARY****SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS**

For the year ended December 31, 2014

(With comparative actual totals for the prior year ended December 31, 2013)

	<u>2013</u>	<u>2014</u>
Cash receipts		
Membership	\$ 2,180	\$ 2,080
Book sale	4,542	5,441
Interest	1	2
Donations	0	20,000
Other	175	445
Transfers in	<u>0</u>	<u>370</u>
Total cash receipts	<u>6,898</u>	<u>28,338</u>
Expenditures		
Building	250	500
Newsletter	333	441
Summer reading	2,625	3,316
Programs	206	175
Memorials	439	0
Member expense	25	219
Other	2,372	2,004
Transfers out	<u>1,543</u>	<u>21,815</u>
Total expenditures	<u>7,793</u>	<u>28,470</u>
Receipts over (under) expenditures	(895)	(132)
Unencumbered cash, beginning of year	<u>5,955</u>	<u>5,060</u>
Unencumbered cash, end of year	\$ <u><u>5,060</u></u>	\$ <u><u>4,928</u></u>

See Independent Auditor's Report.

SPECIAL REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Ottawa Library Board
Ottawa, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of Ottawa Library, Ottawa, Kansas as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise Ottawa Library's basic financial statements, and have issued our report thereon dated April 3, 2015. The Library prepares its financial statements on a regulatory basis of accounting which demonstrates compliance with the Kansas Municipal Audit and Accounting Guide, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control over financial reporting that we have reported to management in a separate letter dated April 3, 2015.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Agler & Gaeddert, Chartered

April 3, 2015
Ottawa, Kansas